MINISTRY OF TOURISM, PARKS, CULTURE AND SPORT

COMMERCIAL REVOLVING FUND

FINANCIAL STATEMENTS

For the Year Ended March 31, 2011

Provincial Auditor Saskatchewan

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INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Commercial Revolving Fund, which comprise the statement of financial position as at March 31, 2011, and the statement of operations and accumulated surplus, and changes in accumulated net expenditure for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards or Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Commercial Revolving Fund as at March 31, 2011, and the results of its operations, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Regina, Saskatchewan
July 15, 2011

Bonnie Lysyk, MBA, CA
Provincial Auditor

Statement 1

COMMERCIAL REVOLVING FUND
STATEMENT OF FINANCIAL POSITION
As at March 31

	2011	2010
Financial Assets:		
Accounts receivable (Note 8)	$ 624,668	$ 603,816
Due from General Revenue Fund	2,114,223	3,353,835
Inventories for resale	208,715	231,589
TOTAL FINANCIAL ASSETS	2,947,606	4,189,240
Liabilities		
Accounts payable and accrued liabilities	1,515,277	1,772,192
Unearned revenue	1,717,959	1,109,223
Accumulated net expenditure (Statement 3)	686,428	1,641,164
TOTAL LIABILITIES	3,919,664	4,522,579
Net Debt	(972,058)	(333,339)
Non-Financial Assets:		
Prepaid expenses	14,225	12,069
Inventories held for consumption	1,077,156	996,948
TOTAL NON-FINANCIAL ASSETS	1,091,381	1,009,017
Accumulated surplus (Statement 2 and Note 4)	**$ 119,323**	**$ 675,678**

see accompanying notes to the financial statements

COMMERCIAL REVOLVING FUND
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
For the Year Ended March 31

	2011 Budget (Note 7)	2011 Actual	2010 Actual
Revenues:			
Camping	$ 6,511,000	$ 6,962,991	$ 7,137,499
Cottage leases	1,950,000	2,012,838	2,030,702
Park entry	2,000,000	2,036,828	2,160,063
Resource management leases	800,000	971,157	936,690
Commercial leases	500,000	528,405	561,983
Swimming and accommodation	400,000	140,412	439,587
Facility rental income	130,000	134,573	135,727
Interest revenue	—	99,806	136,247
Other	300,000	340,624	341,067
	12,591,000	13,227,634	13,879,565
Expenses:			
Salaries and benefits	13,803,000	13,387,067	13,835,997
Contractual services	3,900,000	4,141,608	3,938,131
Supplies and services	2,600,000	2,636,385	2,642,699
Travel and business	1,200,000	1,241,845	1,201,117
Communication	330,000	250,680	334,413
Bad debt	—	(58,069)	572,854
Bank charges	150,000	175,159	157,637
Other	40,000	1,124	22,000
	22,023,000	21,775,799	22,704,848
Loss from operations	(9,432,000)	(8,548,165)	(8,825,283)
Subsidy from General Revenue Fund	8,759,000	7,991,810	9,011,833
Annual (Deficit) Surplus (Note 9)	$ (673,000)	(556,355)	186,550
Accumulated surplus, beginning of year		675,678	489,128
Accumulated surplus, end of year (Statement 1)		$ 119,323	$ 675,678

see accompanying notes to the financial statements

COMMERCIAL REVOLVING FUND
STATEMENT OF CHANGES IN ACCUMULATED NET EXPENDITURE
For the Year Ended March 31

	2011	2010
Financing (required for) provided by operating activities:		
Annual (Deficit) Surplus	$ (556,355)	$ 186,550
Net increase (decrease) in working capital items related to operations (Note 5)	1,511,091	(770,424)
Net decrease (increase) in financing requirement	954,736	(583,874)
Accumulated net expenditure, beginning of year	(1,641,164)	(1,057,290)
Accumulated net expenditure, end of year (Statement 1)	**$ (686,428)**	**$ (1,641,164)**

see accompanying notes to the financial statements

COMMERCIAL REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2011

1. Authority and Definition of Reporting Entity

The Commercial Revolving Fund (Revolving Fund) operates under the authority of Section 18 of *The Natural Resources Act*. The purpose of the Revolving Fund is to conduct commercial activities required for the promotion, development, and management of provincial parks.

Pursuant to Order in Council 900/07, the Ministry of Tourism, Parks, Culture and Sport (TPCS) is responsible for the Revolving Fund effective November 21, 2007.

2. Significant Accounting Policies

Pursuant to standards established by the Public Sector Accounting Board, the Revolving Fund is classified as an other government organization. These financial statements are prepared in accordance with Canadian public sector accounting standards. These financial statements do not present a cash flow statement or statement of change in net debt because the required information is readily apparent from the Statement of Changes in Accumulated Net Expenditure and Note 5. The following accounting policies are considered significant.

a) Accounts Receivable

Accounts Receivable consists of receivables for oil, gas, cottage and commercial leases net of Allowance for Doubtful Accounts.

b) Inventories

Resale inventory consists of maps, wildlife manuals, pins, and other miscellaneous items that are valued at the lower of average cost and net realizable value.

c) Unearned revenue

Unearned revenue consists of deposits on reservations and mineral leases made in advance.

d) Accumulated Net Expenditure (Recovery)

Expenditures of the Revolving Fund are made directly out of the General Revenue Fund (GRF) and receipts are deposited directly into the GRF. The excess of the accumulated expenditures over accumulated receipts is the accumulated net expenditure balance or outstanding borrowing from the GRF.

The accumulated net expenditure (recovery) of the Revolving Fund includes the aggregate of net financing requirements for all fiscal years resulting from the Revolving Fund's changes in working capital and net cash flow from operations.

e) Revenue Recognition

Revenues, other than lease revenues, are recognized when permits are issued and/or services are provided. Lease revenues are recognized when lease payments are due.

f) Subsidy from General Revenue Fund

The subsidy from the General Revenue Fund is recognized when received or receivable.

g) Non-Financial Assets

Inventory held for consumption is recorded at cost and is expended as it is consumed.

h) Net Financing Requirements

The net financing requirement is the cash flow from (to) the General Revenue Fund. It represents the total annual financing requirements resulting from net working capital changes and net cash flows from operations.

i) Estimates

These statements are prepared in conformity with Canadian public sector accounting standards. These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Differences are reflected in current operations when identified.

3. Authorized Financing

Section 18(10) of *The Natural Resources Act* specifies that the maximum accumulated net expenditure, which may be outstanding at any time, will be set by order of the Lieutenant Governor in Council. A maximum amount of $4,000,000 was established by Order in Council 516/94.

4. Accumulated Surplus (Deficit)

Treasury Board controls the operations of the Revolving Fund, in part by monitoring the amount of its accumulated surplus (deficit). If the amount falls above or below the limit specified by Treasury Board, management is responsible to present a plan to address the excess surplus (deficit) for approval by Treasury Board. A plan may include, but is not limited to, payment of excess surpluses to, or request for additional funding from, the General Revenue Fund. Treasury Board has specified the limit for the accumulated surplus (deficit) as $350,000.

5. Net Change in Working Capital Items Related to Operations

	2011	2010
(Increase) decrease in accounts receivable & prepaid expenses	$ (23,008)	$ 390,338
Decrease (increase) in due from General Revenue Fund	1,239,612	(2,093,648)
(Increase) in inventories	(57,334)	(72,539)
Increase in accounts payable & unearned revenue	351,821	1,005,425
Net decrease (increase) in working capital items related to operations	$ 1,511,091	$ (770,424)

6. Related Party Transactions

These financial statements include transactions with related parties. The Revolving Fund is related to all Saskatchewan Crown agencies such as ministries, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, the Revolving Fund is related to non-Crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at agreed upon rates and settled on normal trade terms. These transactions at year end are as follows:

Category	2011	2010
Expenses:		
Contractual services	$ 1,111,807	$ 1,265,327
Travel and business	1,213	877,692
Supplies and services	8,591	41,571
Due from General Revenue Fund	2,114,223	3,353,835
Accounts receivable	321,703	-
Accounts payable and accrued liabilities	171,059	224,200

In addition, the Revolving Fund pays Provincial Sales Tax to the Saskatchewan Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

The Ministry of Tourism, Parks, Culture and Sport is responsible for the acquisition of land for provincial parks. Therefore, land is not reflected in these financial statements. However, in accordance with *The Natural Resources Act* the Revolving Fund is credited with all rents and fees with respect to land.

In accordance with established Government policy, the Revolving Fund has not been charged with certain costs including occupancy, financing, use of tangible capital assets and certain administrative costs. These costs have been absorbed by the ministerial

appropriations and therefore no provision for such costs is reflected in these financial statements.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

7. Budget

These amounts are included in the budget submitted to Treasury Board for approval. Treasury Board approves the Revolving Fund's budget annually.

8. Financial Instrument Risks

The Revolving Fund is exposed to credit risk from the potential non-payment of accounts receivable. An Allowance for Doubtful Accounts is recorded for these accounts that are considered uncollectible. The Revolving Fund has recorded an Allowance for Doubtful Accounts of $1,208,766 (2010 - $1,269,516). The Revolving Fund has no significant liquidity risk or interest rate risk.

9. Amount Reported in Public Accounts

The net (expense) recovery of the Revolving Fund reported in the Public Accounts is the net (loss) income of the Revolving Fund adjusted for the following differences in accounting policies and other adjustments between the Revolving Fund and the General Revenue Fund:

	2011	2010
Annual (Deficit) Surplus	$ (556,355)	$ 186,550
(Increase) in inventories	(57,334)	(72,539)
Net (expense) recovery reported in Public Accounts	$ (613,689)	$ 114,011